

# We Are Leeds



Leeds Fans Community Benefit Society Limited

Share Offer Document

April 2015

## We Are Leeds

At 10.15 a.m. on 6 May 1972 I became a Leeds United Football Club fan. A Huddersfield lad, only six years old and watching on our newly rented first-ever colour TV. In those days, both main channels carried wall-to-wall coverage of the FA Cup. My Dad, a Liverpool fan, talked respectfully about the team in white from Yorkshire and told me that these were some of the best players in the world. The camera panned a hotel lobby where a blue-suited father figure, Don Revie, fussed around these scrawny, cool-looking guys – they had the eyes of gunslingers. As they boarded the coach to Wembley, hordes of noisy folk with white scarves, rosettes, flags and banners willed the gladiators on. I was captivated and by mid-morning I was Leeds for life.

I remember the game for the vivid colours: green turf, red Arsenal and the dazzling white of Super Leeds. My favourite gunslinger, cool as Steve McQueen, scored a diving header. It's this same man, Allan "Sniffer" Clarke, who now, more than 40 years on, acts as our ambassador.

We all have our creation myths. That moment when we felt the hooks go in, and ever since we have all had our ups and downs. After Super Leeds, we've seen the great decline, during which even heroes like Clarke, Gray and Bremner could not drag us back to greatness. But then Wilko got the family feel back – we were promoted and became the 'Last Champions'. We faded again, only for O'Leary's babies to tease us to the edge of glory, and then... the fall.

The fire sale of Elland Road, Thorp Arch and whole squads of players, promising youngsters cast to the wind, administration, winding-up orders, points deductions, relegations, multiple court cases and fan protests. Hope drained from us season after season. Yet, in spite of all of this we still stand and support our team. The only thing left to be proud of is... us. We haven't been defeated. There is still fight in us, and we can rise from our knees one last time.

As I review our current situation in April 2015, the Football League has banned our owner. The Club has a transfer embargo, resignations at a senior level and reported debts trend towards the past's disastrous highs. As we face the end of another season of mid-table obscurity after talk of possible relegation, now is the time for action. Once more, we face crisis. We can wait for a kindly benefactor to emerge from the mist and rescue us, or we can do what we have always been good at – stand, don't yield and sort this mess out ourselves.

Ask, 'If not now, then when?'

This is the first step towards getting back a voice in our Club and being prepared for any eventuality. We don't need the pity of anyone and we must stop being the perpetual victim.

Our objective is to get the largest possible number of fans on board. We can make this the biggest fan fundraiser ever seen in Britain. We know how often Leeds fans have been let down, so we have built every safeguard we can think of into the plan, such as guaranteed return of 90% of fans money if a stake in Leeds is not achieved. But the biggest safeguard is that we are Leeds fans investing our own money and we are desperate to make this work – not least because we think this will be the last chance for us to have a proper voice at Leeds United Football Club and the last chance to work together to return our Club to the glory days.

We know that there are potential pitfalls to our plan, but if it works, we'll have a fan voice on the Board of Leeds United Football Club, elected democratically by all of us. These fans will stand for election on manifestos. Imagine choosing between people advocating:

- cheap or free tickets for under 16s;
- subsidised away travel;
- the Twenty's Plenty scheme of £20 maximum away ticket prices;
- safe standing;
- living wages for all staff;
- community engagement programmes;
- kit design polls; and
- grassroots programmes.

So I ask you, as Leeds fans, to invest for the future. But don't just fire your money off and forget, we need you out amongst your friends and family, neighbours and workmates, asking them to contribute too – a call to arms. Let's make this the biggest fan fundraiser of all time. This could be the last chance to save our club and our last chance to pass it down the generations.

Please just ask yourself: am I going to walk away? Or will I stand up for Leeds United Football Club?

Marching On Together,

Dylan Thwaites

Leeds Fans Community Benefit Society

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Leeds Fans Community Benefit Society Limited and the Directors of the Society, whose names are set out on page 22 and 23 of this Offer Document, accept responsibility for the information contained in this Offer Document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Offer Document is in accordance with the facts and does not omit anything likely to affect the importance of such information.

Prospective members should read the whole text of this document and should be aware that putting money into the Society may involve significant risk. Prospective members are advised to read, in particular, the sections of this document headed Legal Structure, Membership and Voting Rights, Risks, and Other conditions of the Offer (pages 11, 18 and 23 respectively) and, if needed, to take independent advice.

All statements regarding the business, financial position and prospects of the Society should be viewed in the light of the risk factors set out in Part 10 of this Offer Document. In making a decision to put money into the Society, all recipients must rely on their own examination of the Society and the terms of the Offer, including the merits and risks involved.

This Offer Document is not a Financial Promotion for the purposes of the Financial Services and Market Act on the basis that the Shares are not a controlled investment as defined by that Act. No prospectus is required under the Act in relation to this Offer. Anyone buying the Shares could lose some or all of the money they invest, without the protection of the government's Financial Services Compensation Scheme, and without recourse to the Financial Ombudsman Service.

This share offer is made to Leeds United Football Club (the 'Club') supporters in the UK, in compliance with UK law and regulation. Applications will be accepted from supporters overseas but local law and regulation can vary so overseas applicants should satisfy themselves that they are not contravening any local laws by applying for shares in the Society and if in doubt take advice (see section 13 on page 24).

## 1. Summary of the offer to fans

This is an offer to all supporters of the Club to become members of the Leeds Fans Community Benefit Society Limited, which we shall refer to in the rest of this document as 'the Society'.

- The Society exists to serve the interests of the community of supporters of the Club. It is a condition of registration as a Community Benefit Society that the Society's primary purpose is to bring about community benefit; this will be the first call on the Society's resources.
- It will do this by funding the purchase of a stake in the Club, on behalf of fans, to bring the football club and the community closer together and give supporters a recognised voice in the running of the Club. It will encourage the Club to play an active and constructive role in the community. The Society will also commit itself to projects and activities to benefit its community, and commercial activities to raise additional funds.
- Fans can contribute a minimum of £100 and a maximum of £10,000 to buy shares in the Society.
- Fans contributions will be used to buy shares in Leeds Fans Utd Limited (which we shall refer to in the rest of this document as 'Leeds Fans Utd') which will use the Society's money, together with money it raises itself, to buy a stake in the Club on behalf of supporters.
- All contributions will first be put into an 'escrow' account with the Society's lawyers. A maximum of 10% of the money committed will be drawn down into the Society for administration, finance and legal costs. If it proves impossible to secure an investment in the Club, fans will get back at least 90% of their contribution.
- Fans will vote to elect Directors of the Society, and of Leeds Fans Utd, as well as any Directors who are appointed to the Board of the Club to represent fans. They will also be asked to vote on important issues affecting the fans' investment in the club .

The whole of the contribution you make to the Society could be at risk, and it may be difficult to get your money back when you want to.

**You should not make monetary contributions to the Society that you cannot afford to do without or to lose.**

Fans should not regard a contribution to the Society as a 'commercial' investment. It is an investment in the future of the Club to help ensure that we can pass a successful club and a thriving community of fans on to future generations of supporters.

The launch date of the offer is 7 April 2015. No closing date for the offer has been set as the Society wants to remain open to new members and, indeed, future generations of fans. But circumstances can change. If the Society does decide to close the offer at least 30 days' notice of closure will be given on the Society's website, social channels and in a Leeds supporter publication.

## 2. How we will use the money from fans

The majority of the money we secure from this offer will be used to buy shares in Leeds Fans Utd. The shares will be bought in the Society's name. Leeds Fans Utd will use the Society's money, together with funding that it will attract directly from fans of the Club, to acquire a stake in the Club.

The Society is the organisation where the majority of fans will make their contributions towards buying a stake in the Club. The Society provides a relatively easy and cheap way to raise money from large numbers of people. Leeds Fans Utd however has the flexibility to raise money in different ways than the Society can, such as through bigger investments from larger investors, which it can combine with the Society's money to enable fans to acquire a larger stake in the Club than the Society alone could afford.

The situation is illustrated below:



In order to purchase shares in Leeds Fans Utd, fans will need to have already contributed £10,000 (i.e. the maximum amount) to the Society. If they have done that then there is no limit on the amount of money that they can invest in Leeds Fans Utd. However if they invest more than £100,000 their voting power will be restricted to £100,000 worth of shares. This is to prevent any one individual, or group of individuals, getting undue influence in the fans investment in the Club. Further details will be set out in an offer document to be issued by Leeds Fans Utd during April.

We cannot be sure what price Leeds Fans Utd will need to pay for a stake in the Club but the Directors of Leeds Fans Utd will take expert advice on the appropriate price to pay for the Club's shares. This will be based on the circumstances of the Club at the time of offer, comparable prices paid for other football clubs and private companies, and given the additional rights that other shareholders are prepared to grant to fans as part of the purchase. The target is to acquire a shareholding in the Club and the right to appoint Directors to the Board of the Club.

The project to buy a stake in the Club may be abandoned in some circumstances. The Directors of Leeds Fans Utd have said that they would abandon the project if:

- They come to believe that there is no longer a realistic chance of raising enough money, from the Society and other sources, within a reasonable timescale to acquire a meaningful stake in the Club. They have stated that they believe that a minimum of £2.5 million would be required to do this; or
- They come to believe that a realistic chance of acquiring a stake in the Club on acceptable terms no longer exists; or
- The 10% drawdown of money committed by fans has been exhausted and no stake in the Club has been achieved.

When an investment in the Club has been achieved, Leeds Fans Utd may also use any additional funds available to lend money to the Club to help it to reacquire the Elland Road stadium, or for any other purpose that enhances the position of the Club in the community.

Up to the point that a stake in the Club has been achieved, the Society will draw down a maximum of 10% of the funds committed by members. This is to meet running costs and the cost of exploring and following up opportunities to invest in the Club. If Leeds Fans Utd is offered what the Directors of Leeds Fans Utd deem to be a meaningful shareholding in the Club on acceptable terms, the remainder of Members' application monies will be drawn down and further shares in the Society will be allocated to Members. If no investment in the Club is ultimately achieved fans will get back at least 90% of their money.

For example (these numbers are for illustrative purposes only):

£3 million raised by the Society would be used as up to £ 300,000 for set up and negotiating costs, and £ 2.7 million to buy shares in the Club;

If £2 million would be raised from direct investments in Leeds Fans Utd, then up to £200,000 of that would be used for set up and negotiating costs, and the balance of £1.8 million would be added to the £2.7 million from the Society, making a total of at least £ 4.5 million being used to buy the shares in the Club;

Contributions by members will also be used for community benefit activities, to fund the establishment of commercial activities, and to pay running costs.

The offer of shares in the Society has no time limit. The Society will continue to work to attract new members, and existing members may increase their contribution to the Society. In this way the Society will encourage future generations of fans to be a functioning part of the Club and of the community of fans. Future contributions will be used to increase the fans' stake in the Club as well as to fund community activities, to set up new commercial activities and pay running costs.

### 3. Community Purpose

The Society's purpose is to be the vehicle through which a healthy, balanced and constructive relationship between the Club and its supporters and the communities it serves is encouraged and developed. The business of the Society is to be conducted for the benefit of the community served by the Society and not for the profit of its members.

The Society's objects are to benefit the community by:

- strengthening the bonds between the Club and the communities which it serves;
- representing the interests of the community in the running of the Club; and
- achieving the greatest possible supporter and community influence in the running and ownership of the Club.

The Society is committed to enhancing the profile of the Club in the community within which it operates. One of the ways in which we will achieve this is by preserving the legacy of our Club for the next generation of supporters. Our aim is to promote involvement and engagement between the Club and our younger fans from within all areas of our community. This may take the form of:

- support of local charity activities;
- purchase of junior or disabled season tickets for use by members of the community;
- opportunities for the community to get closer to the Club (tours of Elland Road, Meet the Players events, Society Executives supporting local events in schools etc.); and
- starting a foundation for the purchase of shares in the Society on behalf of young Club supporters from underprivileged backgrounds, so strengthening the bond between them and the Club, and with the wider community of fans and the support available to them from that community.

The Directors of the Society will prepare an annual report reviewing the community activities of the Society during the previous year, and the plans for the coming year. The report will be presented to the annual general meeting of the Society, and be available to all members on the Society's website.

#### 4. Commercial Activities

There are a number of commercial activities under consideration by the Directors of the Society

The purpose of these activities is to provide additional revenue to the Society, which will be used in one of three ways:

- Support of community initiatives including the Foundation described on page 9;
- Contribution to the funding of share purchase in the Club; and
- Contribution to the costs of administering the Society

Commercial activities will be likely to comprise a number of small initiatives as opposed to a larger scale corporate activity. The intention of the commercial activities will be to engage Club fans at all levels and to maintain the Society as a relevant and positive element of its community. The illustration below outlines some of the elements, which will form our commercial and income development strategy:



Commercial strategy will be the responsibility of the Society's Fundraising Executive; who will utilise the expertise available to us via our shadow network of Club fans with specific expertise.

The cost of launching and running commercial activities will vary greatly depending on the activity. Before starting a commercial activity the Society will prepare a business plan, including an estimate of the expected income and costs, to ensure that it has a good chance of making a profit for the Society. All members will be able to see the business plan. The Society's Directors will closely monitor the actual results against the plan and will take action to stop or modify any activities that are not producing a profit for the Society.

## 5. Legal Structure, Membership and Voting Rights

### *5.1. Legal Structure*

The Society is a Community Benefit Society incorporated under the Co-operative and Community Benefit Societies Act 2014, registered with the Financial Conduct Authority with registration number 7097, with its registered office at 3 Landmark Court, Revie Road, Leeds, LS11 8JT.

### *5.2 The Shares*

Each member of the Society will own one ordinary share of £1 and community shares within the limits set out in this section. A member contribution £100 for instance will receive 1 ordinary share and 99 community shares. Community shares are issued by the Board in accordance with our Rules. The terms that the Board has approved for community shares are as follows:

- The value of the shares is £1 each.
- Members will all have one ordinary share, which will carry one vote in all matters regarding the affairs of the Society.
- The shares can only be bought and held by supporters of the Club who are aged 16 or over, or are a corporate body or firm.
- Parents or legal guardians can buy shares in the name of their children who are under 16. Until the children reach 16 the shares will be treated as part of the parents' or guardians' shareholding and the Society will communicate with the parents or guardians about the shares.
- Members cannot transfer their shares to anyone else except on death, bankruptcy, or with the permission of the Society.
- The minimum purchase is £100. The maximum purchase is £10,000. Fans can buy shares in joint names, so sharing the cost. The maximum number of joint owners is 10. One fan must be the 'nominated holder' of the shares, although the names of the other fans involved will be noted by the Society. Joint owners will only have one vote between them to be cast by the 'nominated holder'.
- The Society may decide to pay interest on the shares. This is entirely at the Society's discretion, taking account of the financial position of the Society and the need to fund community activities. The Society will not consider paying interest on shares to Members unless it is satisfied that enough community benefit is being funded and delivered. If interest is paid it will not exceed the annual equivalent of 2% per annum above clearing bank base rate.
- Members may apply to withdraw the money in their shares. The Society will try to accommodate such requests but repayment is entirely at the discretion of the Society. Most of the Society's capital will be tied up in a long-term investment in the Club, so its flexibility to repay shares will be limited. If repayment is not possible the request will be carried forward until such time as the Society may be in a position to grant it. The request can be withdrawn at any time. If repayment is made the Society may deduct reasonable costs from the payment for the cost of processing it.
- If circumstances permit, the Society may decide to pay back some or all of the money that Members have contributed for their shares. The Society does not expect to be in a position

to do this in the foreseeable future. If repayment is made it may include – as well as the money members have put in – any interest that is due. If the Society is wound up or dissolved, members will only be entitled to get back the money they have put in, if funds allow, and, at the Directors' discretion, any outstanding interest.

- When they acquire shares fans becomes members of the Society, and that membership will continue until:
  - they die or, in the case of a company or society, cease to exist; or
  - they are expelled under the Society's Rules; or
  - all of the member's contribution has been repaid.
- The Society has not set a limit for the amount of money that it will raise overall from this offer.

### *5.3 Voting rights*

- All members have one vote on matters regarding the internal affairs of the Society regardless of how many shares they own. This includes the election of Directors of the Society.
- The Society will ask members to tell them how they wish it to vote its shares in Leeds Fans Utd on important decisions, including the election of directors and any directors appointed by Leeds Fans Utd to sit on the Club Board. The Society will determine members' views by holding a ballot. The Rules of the Society give flexibility to the Directors as to how such a ballot is held and specifically permit a ballot by reference to the number of shares held by each member. The Directors intend to use this flexibility in particular so that in any vote relating to the purchase of shares in the Club or to what should be done with any shareholding acquired they will use this method. In effect that means that in matters relating to the investment in the Club, members will have votes in proportion to the amount of their contributions to the Society.
- The Society is keen to foster partnerships with Supporters Clubs for the benefit of the community of Club supporters. When subscribing for shares fans can declare if they have an affiliation with a particular Supporters Club. Members can, if they so wish, give a proxy to a representative of the Supporters Club, which would enable the representative to cast their vote.

For further details of the rights of members please consult the Society's Rules which are available at [www.leedsfanscbs.co.uk/rules](http://www.leedsfanscbs.co.uk/rules) or by writing to the Secretary to the Society at the Society's registered Office.

## 6. Leeds Fans Utd

Leeds Fans Utd is a private limited company. Leeds Fans Utd will use the money it receives from the shares the Society buys, together with money it raises directly from Club fans, to pay its expenses and to buy a stake in the Club.

Leeds Fans Utd will accept direct investment from fans of the Club in addition to the money it receives from the Society, provided that those fans have already invested £10,000 in the Society. The price of Leeds Fans Utd shares to direct investors will be the same as those of the Society. Anyone interested in knowing more about the possibility of direct investment in Leeds Fans Utd can find more information at [www.leedsfansutd.com](http://www.leedsfansutd.com).

As explained in section 5.3, where there are decisions to be made about the investment in the Club, the Society will cast its votes in Leeds Fans Utd to reflect the views of its members. Leeds Fans Utd will allow the Society to split the voting of its shares to reflect those views. For example, where the percentage Yes vote of the Society's members to a particular proposition was 65%, the Society would vote 65% of its shares for the motion, and 35% against.

The constitution of Leeds Fans Utd restricts the maximum number of votes that any one shareholder, apart from the Society, can cast to the equivalent of £100,000 worth of shares even if they have invested more than this into Leeds Fans Utd. This is to avoid any one person or organisation gaining a disproportionate influence in Leeds Fans Utd, and therefore in the investment in the Club.

## 7. Election of Directors

### *7.1 Directors of the Society*

Under the election policy of the Society, Directors of the Society will be elected by its members and must themselves be members of the Society. In electing Directors of the Society members will each have one vote irrespective of the number of shares in the Society that they hold. This is a requirement for registration as a Community Benefit Society.

The election of Directors of the Society will take place at the annual general meetings of the Society, the first of which will take place within 12 months of the Society's inception. The founding Directors of the Society (i.e. the Directors when it was formed) will stand down at the first general meeting or when a stake in the Club has been achieved if earlier. Elections will then take place for new Directors. The founding Directors can stand for re-election at that point.

After the first general meeting Directors of the Society will serve three-year terms on a rotating basis i.e. one third of the Directors will resign each year. Directors resigning at any meeting may however stand for re-election.

### *7.2 Directors of Leeds Fans Utd*

Leeds Fans Utd will have its own Board of Directors who may, or may not, be the same people as the Directors of the Society. Leeds Fans Utd Directors will be elected by its shareholders, including the Society.

Directors of the Society will ask its members whom they want the Society to vote for as Directors of Leeds Fans Utd. When conducting a ballot on this, the Directors will use the flexibility referred to in section 5.3 so that members will effectively have votes in proportion to the number of shares they hold in the Society, so those that have put more money into the Society will get more votes.

The Society will split the votes on its shares in Leeds Fans Utd across the candidates to reflect the views of its members. The Society will not own all of the shares in Leeds Fans Utd, so which Directors are actually elected as Leeds Fans Utd Directors will also depend on how other shareholders vote. Any Member of the Society may stand for election as Directors of Leeds Fans Utd regardless of whether or not they have also invested directly in that company.

The founding Directors of Leeds Fans Utd will remain in place until an investment in the Club has been achieved, or for 3 years, whichever comes earlier. This is to ensure that there is continuity on the Leeds Fans Utd Board throughout the important period when the investment in the Club is being made. The first elections will therefore take place immediately after a stake in the club has been achieved, or after 3 years if longer.

### *7.3 Directors appointed to the Board of the Club*

It is the intention that as well as acquiring a stake in the Club, fans will get the right to appoint Directors to the board of the Club. These directors will be chosen from the Directors of Leeds Fans Utd. Again the Directors of the Society will ask its members who they want them to vote for as

Directors to be appointed to the board of the Club, using the same system as for the election of Leeds Fans Utd Directors.

## 8. Escrow account

An escrow account is a type of 'holding' bank account. The Society's escrow account will be held by its solicitors, DWF LLP. All money committed by fans will initially be placed in the escrow account. The Society will not be in possession of these funds while they are held in the escrow account and no shares will have been issued to members.

The Society will draw down 10% of the money in the escrow account and issue shares for that money to members in proportion to the number of shares they have applied for. This money will be used to meet the Society's costs, including the cost of this offer, and to buy shares in Leeds Fans Utd. Leeds Fans Utd in turn will use the money to meet the cost of following up opportunities to invest in the Club. The Society will not draw down any more than 10% of members' money unless and until a stake in the Club is achieved.

The project to buy a stake in the Club may be abandoned in certain circumstances, which are described on page 7. In that event the money remaining in the escrow account (90% of each member's original contribution) will be then be repaid to the members. The Society will be dissolved and any money remaining in the Society will either be distributed to Members or used for community causes.

If an investment in the Club is achieved on terms that the Directors of Leeds Fans Utd judge to be acceptable, the Society will draw down further money from the escrow account to pay its share of the investment and its share of the ongoing running costs of Leeds Fans Utd, and of the Society, for a reasonable period of time. At that point, further shares will be issued to members by the Society.

After that, any money still in the escrow account may also be drawn down over a period of time to pay the on-going expenses of the Society and Leeds Fans Utd; to fund community benefit activities; to set up commercial activities; and to support Leeds Fans Utd in finding opportunities to increase the investment in the Club as well as paying for that increased stake. If Leeds Fans Utd believes at any stage that there is no longer a realistic chance of achieving such additional stakes, the Society may decide to repay the money still in the escrow account to fans, retaining a sensible amount to meet the future cost of Leeds Fans Utd and the Society.

Money in the escrow account will earn interest. If money in the escrow account is returned to fans, then interest earned on the money will also be returned. If the money is drawn down into the Society, then the interest will be added to the funds drawn down and the amount of shares issued to Members will be increased. Fans should be aware however that current interest rates on such cash accounts are very low.

## 9. Financials

The financial future of the Society is very difficult to predict at this stage, but it will depend on the following factors.

### *9.1 Capital*

The majority of the money from members will be used to buy shares in Leeds Fans Utd, and through Leeds Fans Utd to buy a stake in the Club. It is intended that the investment in the Club should be a long-term investment, with no intention of selling the stake in the Club. It is unlikely therefore that the Society will be in a position to allow members to withdraw their contributions when they want to, or for the Society to pay back their shares, in the foreseeable future. Capital received from fans may also be used to pay for community activities; to set up commercial activities, and to pay the running costs of the Society.

### *9.2 Income*

The Society will receive income from its commercial activities. The size of this income cannot be predicted until the specifics of such activities are known. The Society may receive dividends on its shares in Leeds Fans Utd, but that will depend on whether Leeds Fans Utd receives dividends on its shares in the Club. Dividends on Club shares don't happen very often. No dividend has been paid by the Club since the current company was formed in 2007.

### *9.3 Running Costs*

Both the Society and Leeds Fans Utd will be run by volunteers to keep the cost of running the Society to a minimum. Volunteers will receive no payment for their work, but reasonable expenses incurred will be reimbursed.

The task of keeping the Society's membership and financial records up to date and dealing with members' queries will be carried out by volunteers. The use of office space and IT equipment has kindly been offered free of charge by Callidus Ltd, but there will still be some unavoidable external costs such as insurance, IT licences, postage, registration fees, and accountants' costs.

The Society's best estimate of its own ongoing running costs is £14,100 per annum. There will also be costs involved in setting up and running commercial activities. In the future, the Society may employ people to carry on its commercial activities on a paid basis, but that is difficult to say with certainty at this stage. These costs will be justified by a business plan reviewed by the Board of Directors for every activity showing that the activity is expected to produce a surplus for the Society (see section 4).

### *9.4 Costs of this share offer*

There will be one-off costs of this share offer, including legal fees, printing and postage. The Society's estimate of the one-off costs of launching this share offer is £52,000 (based on raising £2.5million in total).

### *9.5 The cost of buying a Stake in the Club*

The funds necessary to pursue the purchase of a meaningful stake in the Club could be substantial. It will depend on the particular circumstances of the opportunity but it may include the costs of legal and financial 'due diligence' on the Club, to discover any potential problems at the Club that are not immediately obvious. Leeds Fans Utd will take financial advice on the right price to pay for the shares, and there may well be legal costs involved in drawing up legal agreements and negotiating with other shareholders. These costs can run into hundreds of thousands of pounds and the Society can't be certain that a deal to buy a stake will be concluded at the end. The Directors of Leeds Fans Utd will try to ensure that any opportunity to invest in the Club is real and has a good chance of success before committing to significant costs to explore it. Fans can also be sure that no more than 10% of fans money will be used unless and until a stake in the Club is achieved.

## 10. Risks

Fans should be aware that any contribution to the Society is at risk. It is possible that members may lose some or all of their money, and they may well not be able to withdraw their money when they wish to. Repayment of shares will only be possible when the Society has sufficient funding to do so and if the Directors think it is the right decision at the time. It is very hard to say when this may be the case.

**Members should not commit more money to the Society than they can afford to do without or to lose entirely.**

This document includes statements from the Directors of the Society regarding the future, particularly the Society's plans, goals and prospects. But the future is, of course, difficult for anyone to predict. What actually happens in the future could be very different from what the Directors of the Society expect and predict, possibly because of the risks set out in this section and elsewhere in this document, and other factors outside their control.

There are a number of risks associated with a project of this nature. Those we know of are explained below together with what the Society and/or Leeds Fans Utd Directors are doing, or aim to do in the future, to safeguard against them:

- Investing money in a football club is very risky. If the Club goes into liquidation or administration members may lose some or all of their money. Fans know only too well that the Club went into administration in 2007. The Society and Leeds Fans Utd, using their share votes and their Appointed Directors in the Club, will do their utmost to ensure that the Club is managed sensibly from a financial perspective to avoid a repetition of past events, and will encourage it to take a long term view to ensure continuity of the club for future generations of fans.
- The right price to pay for shares in a football club is very difficult to judge. People don't buy and sell shares in football clubs very often and there are very few clubs whose shares can be bought and sold on a stock exchange. It is therefore difficult to compare the prices that Leeds Fans Utd is paying with what other people may have paid for shares in similar clubs. The Directors of Leeds Fans Utd may therefore pay too much for the shares. The value of shares in football clubs are also very volatile, depending on the performance of the club on the field, the financial position of the club and the numbers of people who want to buy or sell the shares. Even if the Directors pay a reasonable price for the Club shares at the time, the value of the shares may later drop significantly due to factors beyond the Directors' control. The Directors will attempt to mitigate these risks by getting professional advice on the valuation of the shares and on the legal documents supporting the purchase, but some risk around the shares is unavoidable.
- It may not be possible to acquire a meaningful stake in the Club upon terms that the Directors of Leeds Fans Utd deem acceptable, or the 10% capital drawdown may be exhausted before such an opportunity presents itself. In this case at least 90% of the money committed by fans will be returned to them (see section 4).

- The Society may have to pay substantial costs in trying to acquire a meaningful stake in the Club, with no certainty that a stake in the Club will actually be acquired. However no more than 10% of fans money will be used unless and until a stake in the Club is achieved.
- Leeds Fans Utd will, in all probability, purchase a minority stake in the Club (i.e. less than 50%). A minority shareholding gives limited control over the affairs of the Club meaning that the management of the Club may make decisions that are bad for the Club without the Society or Leeds Fans Utd being able to influence them. The Directors of Leeds Fans Utd will seek to negotiate additional rights from the other shareholders in the Club by means of a 'shareholders' agreement', such as a veto over particular matters, and to have directors representing fans on the board, but Leeds Fans Utd can't be sure that the acquisition of such rights will be possible. Again Leeds Fans Utd Directors will take expert advice and will not make an investment on terms that they decide, on balance, are unacceptable.
- A minority shareholder may in some circumstances find that they are forced to sell their shares if the majority shareholder sells. Leeds Fans Utd may therefore find that it is forced to sell its stake in the Club at a time, and at a price, that it would not wish to. Leeds Fans Utd will seek to ensure that it has protection against such an eventuality.
- Football clubs have an ongoing need for money to invest in new players and facilities. The Club may not be able to generate enough profits to do so and may have to seek further investment by issuing more shares. If Leeds Fans Utd doesn't buy some of those new shares, at least in proportion to its existing holding, then Leeds Fans Utd's overall percentage holding in the Club will decline. Leeds Fans Utd may not itself have the money to do that. Leeds Fans Utd will seek to ensure that it has the right to subscribe proportionately to new shares and, even if it is unable to do so, that the rights it has achieved for fans, including directorships, are unaffected by any reduction in its percentage holding.
- The success of the project to buy a stake in the Club may depend not only on the success of this share offer but also on the ability of Leeds Fans Utd to raise capital from other sources. If Leeds Fans Utd cannot successfully raise money from direct investors, it may not have enough money to make the project viable. If, in the opinion of Leeds Fans Utd Directors, insufficient funds are attracted overall, Leeds Fans Utd Directors will abort the project (see section 4) and at least 90% of fan's money will be returned to them.
- The Society and Leeds Fans Utd are committed to remaining volunteer-led and volunteer-staffed organisations, with the possible exception of commercial activities in which any employment contracts entered into will be supported by a business plan showing how costs will be recouped through increased income. However it may not be possible in the future to get enough staff with the right skills on a volunteer basis. Likewise the use of free office space and IT equipment may not still be available. In that case, the ongoing cost of running the Society may rise.
- The Society is registered with the Financial Conduct Authority (FCA). This registration must be renewed every year. If the FCA's rules or opinions change in the future the Society may need to change some aspects of its constitution or operations to ensure continued registration. This could have an impact on the arrangements described in this document for such matters as voting, interest, repayment of capital, or community activities among others.

- The Society may fail to deliver sufficient benefit to the community of Club supporters. If commercial activities do not produce a sufficient income, and there are no dividends from Leeds Fans Utd, and if insufficient new members contribute to the Society, then the Society may not have sufficient funds to devote to community benefit activities. The Society will not consider paying interest on Members shares unless it is satisfied that enough community benefit is being achieved.

## 11. Directors, Management & Advisers

### *11.1 Leeds Fans LLP*

Leeds Fans Limited Liability Partnership (LLP) was formed in January 2015, to establish and deliver a project to ensure that Leeds supporters get a share of, and a voice in, their club. As part of realising this project Leeds Fans LLP have formed this Society, and Leeds Fans Utd. In due course they will also launch the Foundation described on page 9. The members of Leeds Fans LLP are the Directors of the Society named below. The first Directors of Leeds Fans Utd, and the first trustees of the Foundation will also be members of the LLP.

When the Society, Leeds Fans Utd and the Foundation have been launched the LLP's purpose will have been realised. The LLP will then be wound up.

### *11.2 Directors of the Society*

The first Directors of the Society are:

#### **Dylan Thwaites, Chief Executive**

Dylan was founder and Chief Executive of Latitude, an internet marketing business, which he sold for £55m in 2007. He is 49 years old, from Huddersfield and has supported Leeds since the early 1970s. Dylan's aims are to return Leeds United back to the fans and ensure we have a family club to pass down the generations. Dylan has three children who are all passionate Leeds supporters.

#### **Brendan Meehan, Finance & Legal Executive**

Leeds-born Brendan is a retired accountant who now lives in London. He's been going to Elland Road since 1965 when his brother took him to his first game. Brendan is an accountant by trade, and spent his career in the life assurance business, in roles such as Chief Financial Officer, Chief Operating Officer and as a partner at KPMG. His last role was as a partner at Resolution, a business that bought and integrated life assurance businesses.

#### **Sharon Reid, Marketing & PR Executive**

Sharon is former Executive Director and Chief Operating Officer at Edelman, the world's largest PR agency. She's 38 years old and from Horsforth, Leeds but she lives in York now with her husband and three children. Sharon is a South Stand season ticket holder with her eight year-old son and she wants to make Leeds United Football Club the first big football club in England to be part-owned by fans so that she can help protect the club for her son's generation.

#### **Petter-Andre Dolplads Johansson, Infrastructure Executive**

Norwegian Petter-Andre is a Microsoft Certified Project Manager in an Enterprise Resource Planning consultancy firm. He's 34 years old, married and father to two brilliant young Leeds fans, both boys and aged two and four. He's been a Leeds fan since 1988 and sees this as a huge opportunity for Leeds supporters to stand together and be United again.

#### **Steve Hanson, Fundraising Executive**

Steve is Managing Director of Callidus, a health and safety/project-management consultancy based in Beeston. He is 48 years old, married with 4 children and lives in York. Steve is a season ticket holder and spends most of his spare time either watching Leeds with his son in the Kop or undertaking various charity challenges.

### **Mike Thornton, Secretary to the Society**

Mike's love affair with Leeds United started in the mid-1960s. Educated in Electronics and Computer Engineering he moved into management in his late 20s when he accepted his first directorship. A father to three grown-up children and husband to the loveliest girl in the world, Mike has recently taken a siesta from work to recover from back surgery. When he's not tending his allotment he has time available to devote to all things Leeds.

### *11.3 Legal Advisers*

#### **DWF LLP**

DWF started life as a four-office practice based in the North West. Now based in 12 locations across England, Scotland and Ireland, they have a talented staff of over 2,500. They think of themselves as part of the community in every city where they work and that is reflected in their commitment to community organisations and their involvement in sport. They have a wealth of football industry experience and are delighted to be working with Leeds Fans as a further development of their commitment to football and sustainable and vibrant football clubs.

In addition the Society can call on the services of volunteers to run its operations, and on a 'Shadow' network of Leeds Supporters with specialist skills.

## 12. Other conditions of the Offer

Subscribing for Shares in the Society may expose a member in the Society to a significant risk of losing all of the money they put in. If you are in any doubt about the action you should take or the contents of this document you should contact your stockbroker, solicitor, accountant, bank manager or other professional adviser authorized under the Financial Services and Market Act, who specializes in advising on investment in shares and other securities.

A subscription for Shares in the Society may not be suitable for all recipients of this Offer Document. Any person considering subscribing should consider carefully whether it is suitable for them in the light of their personal circumstances and the financial resources available to them, and should regard any subscription as made primarily to assist the furtherance of the Society's objectives (other than any purely financial objectives) and not as an investment. A subscription is not suitable for any person who requires liquidity for their contribution (i.e. to get their money back when they want it) or who has insufficient resources to bear any loss that might result from their subscription.

The Directors will proceed with ad-hoc allotments of Shares and will initially allot Shares in respect of up to 10% of each Member's proposed Subscription. Allotment of Shares in respect of the remainder of each Member's proposed Subscription will be conditional on the Society securing an investment in the Club. Applications must be made subject to the terms of this Offer Document and by completing the Application Form appearing in part 13, or online as described in that section.

This Offer Document contains forward-looking statements. These relate to the Society's future prospects, developments and strategies. The forward looking statements in this Offer Document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. These forward-looking statements should not be regarded as a guarantee, prediction or definitive statement of fact or probability. There can be no assurance that the Society's objectives will be achieved or that Members will receive a return of the amount invested.

### 13. Foreign jurisdictions

The Shares have not been, nor will they be, registered in the United States under the United States Securities Act of 1933, as amended, or under the securities laws of Canada, Australia, Japan or South Africa (each a “Restricted Territory”) and they may not be offered or sold directly or indirectly within the United States or any of the Restricted Territories or to, or for the account or benefit of, US Persons (as defined in Regulation S made under the Securities Act) or any national, citizen or resident of the United States or any of the Restricted Territories. The Offer is not being made, directly or indirectly, in or into the United States or any of the Restricted Territories or in any other jurisdiction where to do so would be unlawful. This Offer Document and the Application Form is not being and must not be forwarded to or transmitted in or into the United States or a Restricted Territory.

The distribution of this Offer Document in countries other than the UK may be restricted by law and, therefore, persons into whose possession this document comes should inform themselves about and observe any of these restrictions. No person receiving a copy of this Offer Document in any territory other than the UK may treat it as constituting an invitation or offer to him unless, in the relevant territory, such an invitation or offer could be lawfully made to him without contravention of any registration or other legal requirements.

Any failure to comply with any of the above conditions may constitute a violation of the securities law of the country concerned. It is the responsibility of any person outside the UK wishing to make an application to satisfy themselves as to the full observance of the laws of the relevant country.

#### 14. Application process and application form

Terms on which payments are made:

1. The information provided in application forms will be handled in accordance with data-protection legislation and will not be disclosed to any third party except for the administration of the share scheme; for preventing crime; to the police, if required by law; to any relevant regulatory authority, if required by law, including Her Majesty's Revenue and Customs; or with the permission of the person concerned.

2. Applications will be processed in the order in which they are received and may be accepted or rejected at the absolute discretion of the Directors of the Society. Any application rejected will be returned to the applicant together with a cheque for application monies received without interest.

3. By completing and delivering an application you, as the applicant:

- offer to acquire the number of shares in the Society specified in the form on the terms and subject to the conditions set out here and in the offer document (and any updates to that which have been issued) and subject to the Rules of the Society;
- confirm that in making the application you are not relying on any information or representation other than those contained in this offer document (and any updates to it) and this application form, and agree that no person shall have any liability in connection with your application for any information or representation not contained in this offer document (and any updates to that), and this application form.

4. Your payment must come from a bank or credit card account in your name and, to comply with anti-money-laundering laws and regulations, you must complete this form with your full name, address and date of birth. By signing this form you agree to provide any other information we require to carry out our obligations.

5. Payments will be held in an Escrow Account operated by DWF LLP in the name of the Society until it is used as set out in the offer document. The Board of the Society will decide when the money is to be used and on what terms. When money is used, funds from the Escrow Account will be transferred to purchase community shares and share certificates will be issued by the Society. Sums paid into the Escrow account will not be returned to applicants unless the Board of Leeds Fans Utd abandons the project to acquire a stake in the Club (see section 7).

In these circumstances 90% of the funds paid into the Escrow Account from applicants for community shares will be returned to them on the terms set out in the offer document.

6. The Escrow Account will be an interest bearing account. Except where this document says otherwise, interest earned on the account will be for the benefit of the party to whom the money in the account is paid or repaid in proportion to the payments or repayments made. The Directors of the Society have said that they will use any interest accruing to the Society to purchase an additional share in the name of the member for every whole £1 of interest.

7. DWF LLP shall have no duties or responsibilities other than those expressly set out in this document and shall not be liable for any action taken or not taken by it or the Society or Leeds Fans

Utd, provided it acts in good faith and in the exercise of its own best judgment. If any issue arises DWF LLP may apply to court for directions without requiring any prior consent and the directions of the court shall be binding on the Society and on applicants for shares in the Society to the maximum extent permitted by law.

8. There are two ways to apply for shares, please choose the method that suits you best:

- Online: You can apply online at [leedsfanscbs.co.uk](http://leedsfanscbs.co.uk), by completing the form found there and pay by credit card, or bank transfer. The payment will be sent directly to the escrow account. There is a fee of 2.5%+20p for payments made by credit card, which must be paid in addition to the member's contribution for shares; or
- By post: You can download and print an application form at [leedsfanscbs.co.uk](http://leedsfanscbs.co.uk) and complete by hand, or use the form at the back of this document. Please write legibly and post the form to the address on the form. Payment can be made by cheque or bank transfer. No additional costs are incurred for these methods of payment.

9. Each Share costs £1. You must apply for a minimum of 100 and you may not own more than 10,000 shares. £1 from your first application purchases an Ordinary Share in the Society and provides you with membership, as stated in the Rules. Fans may pool their money to buy shares in joint names.

## Application form for Shares In Leeds Fans Community Benefit Society

You can apply and pay online at [www.leedsfanscbs.co.uk](http://www.leedsfanscbs.co.uk) if that suits you. Otherwise, please complete this form and post to **Leeds Fans CBS, 3 Landmark Court, Revie Road, Leeds LS11 8JT**

Have you applied for shares before?	YES / NO *
Do you have a membership number?	YES / NO *
Membership number, if known	
Corporate name, if applying on behalf of an organisation	
Your First names	
Last name	
Your Address Line 1	
Address Line 2	
Town/City	
Post Code	
County	
Country	
Telephone number **	
Date of Birth (you must be aged 16 years or over)	
Your Email Address	
We aim to provide your information quickly through the use of email. If you do not wish to receive emails from us please write NO in the box	
If you are buying these shares in the name of a child under 16, please give the Child's full name and Date of Birth here	
If you are buying these shares jointly with other people please give their names here (the maximum number of joint holders is 10, including yourself)	
If you are a member of a supporters club and wish the Society to register your affinity with that club please give the name of the club here. Only one club can registered per member.	

\* Please delete as appropriate \*\* optional, we will only telephone if we experience a problem

<b>Share Application:</b>	
Number of Shares requested (minimum £100)	
Cost of Shares at £1 each	£

<b>Your Payment:</b>	
Please state how you are paying	CHEQUE / BANK TRANSFER *
Cheque Number	
Bank Transfer Reference	

By signing you confirm that you have read the offer document (and any updates to it) and accept the terms set out there and here.

Signed:	Date:

If you use this form to apply for Shares by post, you can pay by Cheque or Bank Transfer. Please write your cheque number or transfer reference on the form where indicated.

Cheques should be made payable to DWF LLP.

Please write your name and reference 2014435-1 on the back of your cheque

Bank transfers should be made to:

Account Name: **DWF LLP Client Account**

Sort Code: 30-95-11 (Lloyds Bank, Liverpool Law Courts Branch)

Account Number: 01091450

**IMPORTANT:** Please add 2014435-1, your first initial and as much of your surname as you can fit in the reference field of the transfer.